



2011-12 Budget Includes Harmful Cuts to Health Care

Governor Jerry Brown's signed a uniquely on-time budget on June 30, 2011. The budget package, which included a budget package passed in March, includes a total of \$14.6 billion in real cuts that reduce the on-going structural deficit that was \$26.65 billion in January by 75%. Overall General Fund expenditures for the 2011-12 fiscal year are \$85.960 billion. That compares to the year 2010-11 expenditures of \$91.480 billion.

An additional \$2.5 billion in cuts could occur if they are triggered by a shortfall in anticipated revenue. The cuts in health and human services that could be triggered include \$100 million to services for the developmentally disabled and \$100 million to IHSS home care, with other cuts as well.

CUTS TO MEDI-CAL

The budget includes a reduction to Medi-Cal of over \$1.5 billion, by limiting care, increasing cost sharing, reducing payments to doctors and providers, and other reductions will impact the health care coverage that 7.7 million Californians depend upon directly—and that undermines the health system on which we all rely.

PROVIDER RATE CUTS: Payments to Medi-Cal providers, including physicians, pharmacy, clinics, and some hospitals and nursing facilities are being **reduced by 10%** in order to cut \$709.4 million in 2011–12. California **already has one of the lowest Medicaid provider rate reimbursements of all 50 states**, and nearly half of doctors do not take new Medi-Cal patients as a result. In November 2011, the federal Centers for Medicare and Medicare Services approved many, but not all, of these reductions, along with a new monitoring system to check on real concerns about access to care.

CAPS ON CARE: The budget proposal would limit care and coverage for Medi-Cal patients by **capping the number of doctor and clinic visits to 7 a year**, with exceptions provided if a doctor certifies it is medically necessary. This “soft cap” is expected to reduce the number of doctor visits that Medi-Cal pays for by 15%, for a savings of \$89.7 million in 2011-12. *(This is modified from the Governor's original proposal of a hard cap of 10 doctor visits with no exceptions, and other hard caps on drugs and medical supplies.) This cut is pending approval of CMS and the federal government.*

NEW COSTS FOR CARE: Californians with Medi-Cal coverage, who earn less than \$900 per month, will now have to pay **new copayments for doctor, clinic, and dental visits as well as prescription drugs, hospitalization, and emergency room visits**. The savings, totaling \$557.1 million in 2011-12, come from both the dollars collected from these low-income families, and the expectation that these patients will use fewer services, even for necessary, prescribed care. *This cut is pending approval of CMS and the federal government.* The proposal would impose co-payments of:

- \$100/day for hospital stays, up to a maximum \$200 (for savings of \$151.2 million in 2011-12);
- \$50 copayment for emergency room visits (for a savings of \$111.5 million in 2011-12);
- \$5 copayment for doctor visits and prescriptions (to save \$294.4 million in 2011-12).

ELIMINATE ADULT DAY HEALTH CARE: The initial proposal would have **eliminated this benefit** to 27,000 seniors receiving services at 330 adult day health care service centers. A legal settlement reached in November 2011 postponed program elimination until February 2012. In the meantime, plans are underway to create a **scaled-back program using half the currently allocated dollars**.

REDUCE OTHER BENEFITS: The budget **eliminates coverage for over-the-counter cough and cold medications**, and **limits coverage for hearing aids and enteral nutrition products for adults**.



CUTS TO HEALTHY FAMILIES

Healthy Families, the State Children's Health Insurance (SCHIP) in California that covers nearly one million children of low income families, will see a \$38.5 million reduction

INCREASED PREMIUMS AND CO-PAYS: The budget proposal shifts costs to low income families, for a total of \$27.5 million. It would:

- **Increase monthly premiums for families** between 200 and 250 percent FPL by \$18 per child, an increase of 75%, (with a family maximum of \$126); and for families between 150-200% FPL by \$14/child by nearly 100%. These changes, on families of 150% of poverty level, or \$27,500 for a family of three, would yield a savings of \$22 million.
- **Raise emergency room co-payments** from \$15 to \$50 and raising hospital inpatient services co-payments of \$100 per day with a \$200 maximum (for a savings of \$5.5 million).

The budget also makes \$3 million cut in vision services. (*The Governor's original proposal was to eliminate the vision benefit in Healthy Families.*)

The Governor also proposed to transition children to Medi-Cal from Healthy Families to save \$22 million and impact up to 871,000. While there are benefits to the switch, Medi-Cal does pay significantly less to cover each child, raising both issues regarding access to care and providers, and other transition issues. This proposal is still under review by the Legislature for another year. The budget also eliminates the MRMIB board, which administers Healthy Families and other programs, shifting those programs to the Department of Health Care Services.

OTHER BUDGET IMPACTS

The budget also **extended existing provider fees** to draw down federal funds to our health system--both an existing hospital fee that helps fund Medi-Cal reimbursements, and a managed care plan fee that helps fund Healthy Families children's coverage.

There are many cuts in other areas as well. The impacts go beyond the budget and health care. These cuts will also have **economic impacts**, first and foremost because of lost federal matching funds--for every state dollar cut, the state's health system and economy loses at least one other federal dollar.

NEXT STEPS

Some of the cuts do require different levels of federal approval by the Centers for Medicare and Medicaid Services (CMS). Many of the provider rate reductions have been granted, but decisions on the Medi-Cal cost-sharing and caps on doctor visits are still pending.

The need to sustain these programs—must less restore cuts, such as benefits like dental, vision and other services cut in 2009—requires revenues. The Governor, legislative leaders, and stakeholders have said they will seek voter approval of an initiative on the November 2012 ballot to win revenues, to prevent further cuts in education and other key services and to resolve the state's structural deficit, and to pay off the state's debt.

For more information about Health Access and coalition efforts to prevent the worst of the cuts, and to win the revenues to sustain these programs, visit our website at www.health-access.org, and our daily blog, at blog.health-access.org. Health Access is also part of the HHS Network focused on budget advocacy, at www.hhsnetworkca.org